



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Kim Walesh  
Jennifer A. Maguire

**SUBJECT:** ARENA AUTHORITY FUNDING

**DATE:** May 21, 2013

Approved

Date

5/21/13

## RECOMMENDATION

1. Approve for 2013-2014 only, the use of the City's suite at HP Pavilion at San Jose by San Jose Arena Management LLC for eight San Jose Sharks home games for the amount of \$48,000 to support the 2013-2014 Operating Budget for the Arena Authority.
2. Approve the following 2013-2014 Proposed Operating Budget amendments in the General Fund:
  - a. Increase the estimate for Revenue from the Use of Money/Property in the amount of \$48,000, and;
  - b. Increase the City-Wide Expenses Arena Authority appropriation in the amount of \$48,000.

## BACKGROUND

Created in 1990, the Arena Authority is a nonprofit, public benefit corporation that provides oversight of the management agreements, operations and community programs for three of the City's most significant community assets: HP Pavilion at San José, Sharks Ice at San José, and San José Municipal Stadium. One of the long-standing community programs for which they provide oversight and administration is the Arena Ticket Distribution Program. Through this program, 16 Pavilion tickets in the City suite and, when available, 16 tickets in the Pavilion lower seating area (commonly known as the Club seats) are made available for various civic purposes.

The Arena Authority's operating budget for 2013-2014 is \$229,550. Unlike most nonprofit organizations, given the Arena Authority's limited charter, the City is effectively its sole revenue source. The 2013-2014 funding for the Arena Authority is currently derived from two sources: \$108,598 from the General Fund and \$42,661 from the Ice Centre Revenue Fund for costs associated with the Arena Authority's oversight of Sharks Ice at San José. The combined funding sources still leave a funding gap of \$78,291. Utilizing the Arena Authority's 2012-2013 fund balance from past ticket sales and salary savings, this shortfall is reduced to approximately \$48,000.

The Arena Authority's current level of staffing includes one full-time Executive Director and a part-time Administrative Manager, making it difficult to support the basic operation of the organization without requesting this additional source of funds. A further decrease to staffing levels would be required, if this recommendation is not approved, thereby reducing Arena Authority management oversight and programs.

Council Policy 9-11, entitled "Distribution of Arena Tickets," governs the distribution of the City tickets at the Pavilion through the Arena Authority. One element of the policy allows for the sale of Pavilion tickets that would support Arena Authority operations while reducing the support of the City's General Fund.

### **ANALYSIS**


Similar to past budget cycles, the Administration is recommending that the City suite be leased to SVSE for eight agreed upon Sharks game dates during the 2013-2014 NHL regular season at \$6,000 per Sharks game date for a total of \$48,000. There are currently 41 home games tentatively scheduled at the HP Pavilion during this season. While the dates have not been selected, SVSE has indicated that they are interested in week night regular season games. The revenue will be directed to augment the funding available for the Arena Authority operations and will bridge the funding gap previously identified.

The Pavilion City suite consists of 16 in-suite tickets. As a result of the eight date lease of the City suite, a total of 128 in-suite tickets would be removed from the available inventory for civic purposes. The City suite will remain available for all other Pavilion events, including 33 Sharks home games. The Arena Authority would continue to administer the Arena Ticket Distribution Program by issuing all available tickets in the Pavilion lower seating area as well as the tickets in the City suite during 2013-2014.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the Arena Authority.

/s/  
KIM WALES  
Economic Development Director  
Chief Strategist

  
JENNIFER A. MAGUIRE  
Budget Director

For questions regarding this memorandum, please contact Lee Wilcox at 535-8172.